



## TAXING SERVICES IS A REMARKABLY BAD IDEA

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*[Publisher's Note: As part of an ongoing effort to bring original, thoughtful commentary to you here at the FlashReport, I am pleased to present this column from Board of Equalization Member Michelle Steel. - Flash]*

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Last year California taxpayers were saddled with the largest tax increase in our state's history. This year, nearly two months into a new fiscal year we still don't have a budget and the only thing the majority in the legislature has offered is more taxes, more spending, and more borrowing. The Governor says he opposes new taxes, but his actions don't match his words.

Governor Schwarzenegger told the Goleta Chamber of Commerce that we should broaden the sales tax to include all services. "We know that the economy is a service-oriented economy" he said, "but we really don't tax anyone that is in this new economy."

Service businesses sell their skills and experience – earned through years of practice and study – and they sell their time. They are taxed for their work, like the rest of us, through income taxes. Under this plan, that same work would be taxed again and charged to consumers. Taxing services is double taxation; it's also a recipe for further economic collapse.

Services already take a much bigger hit from government regulation than other sectors. In some areas, services shoulder over 50% of the burden of state regulations, according to a September 2009 study sponsored by the California Small Business Administration's Office of Advocacy.

By adding a sales tax for services, service providers will have to take on the additional burden of registering with the state, hiring tax professionals, training staff, and purchasing expensive software to charge and account for the new taxes they will be required to collect.

Service providers include doctors, dentists, lawyers, accountants, beauticians, morticians, private tutors and more. Their services are expensive enough as is.

Under this plan they'll charge even more to make up the cost of collecting the tax – and you'll be paying a new tax on top of your bill.

3,000 Californians leave our state every week. More and more businesses are escaping to low-tax states every day. Tax revenues are plummeting and regulations are surging. And the solution is to tax the service sector? A tax on services would crush productivity, kill jobs, and raise taxes for all Californians.

Service providers, like the rest of us, are already over-taxed and over-regulated. Taxing services twice won't solve our budget problems; it will only make them worse. Professional services are a necessary expense for all of us. We need to cut taxes and regulations to get our economy moving again, not double up on them.